

SERS-O-GRAM

A newsletter for members of the State Employees' Retirement System of Illinois

AUGUST 2001

SERS LEGISLATION CHANGES

During the spring 2001 legislative session, the General Assembly passed two bills that affect alternative formula employees.

ALTERNATIVE FORMULA EMPLOYEES

The most significant piece of legislation is HB 0250 (Public Act 92-0014) effective June 28, 2001, which changes the alternative retirement formula to a flat rate of 2.5% for coordinated employees, and 3.0% for non-coordinated employees.

The maximum pension benefit also increases from 75% to 80% of final average compensation. The new formula applies to alternative formula employees who retired on or after January 1, 2001.

This bill adds Department of Human Services security employees and educators who have daily contact with security unit residents, or spend at least 50% of their time working with security unit residents to the alternative formula.

Alternative formula members who retire by October 1 will also receive their first 3% yearly pension increase on January 1, 2002 if they are age 55 or older.

HIGHWAY MAINTAINERS

Another bill associated with HB0250 is HB0267 (Public Act 92-0257) effective August 6, 2001, which puts highway maintenance workers with IDOT or the Illinois State Toll Highway Authority under the alternative retirement formula if their primary responsibility is to perform necessary highway repairs.

To receive the alternative formula, these members must be actively employed on or after August 6.

Highway maintenance workers who retire on September 1 or October 1, 2001 will also receive their first 3% yearly pension increase on January 1, 2002 if they are age 55 or older.

ALTERNATIVE FORMULA CONTRIBUTIONS

Current Alternative Formula Employees

The employer pickup rate is now 5 1/2% of your salary. Starting January 1, 2002, all alternative formula employees will contribute an additional 1% of their salary to pay for enhanced retirement benefits.

The additional employee contribution will increase by another 1% on January 1, 2003, and another 1% on January 1, 2004.

SERS LEGISLATION
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ANNUAL BENEFIT STATEMENT ENCLOSED

This year's benefit statement has something new for just about everyone. For the first time, the "Rule of 85" is being used, when applicable, to calculate regular formula retirement eligibility dates for both projected and accrued benefits.

The recently enacted provisions of HB250 (see article on left) have been used to calculate benefits for alternative formula employees

STATEMENT
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SERS ELECTION RESULTS



During the May SERS Board of Trustees election, Caryl Wadley-Foy was reelected as the member trustee for a second five-year term beginning July 15. A total of 13,937 ballots were returned to the State Board of Elections, where 13,631 were declared valid and certified on June 4.

Wadley-Foy has worked for the Department of Human Services for 25 years as an Office Coordinator at the Shapiro Center in Kankakee. She is also the Secretary-Treasurer of the American Federation of State County and Municipal Employees (AFSCME) Local 29, and the Secretary of AFSCME Illinois Council 31; a delegate of the Kankakee Federation of Labor, AFL-CIO (former Secretary-Treasurer); and Co-chair of the Kankakee County Labor Management Association.

She is a Trustee for the Village of Bradley; Board of Directors for KFL Community Services, Inc.; Board of Directors of the Kankakee County Convention & Visitors Bureau.

SERS LEGISLATION

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DHS Security Employees & Educators, Highway Maintainers

The current employer pickup is 4%. With the new legislation, this pickup amount will increase to 5 1/2%. On January 1, 2002, the employee will pay 1% of the retirement contributions, while the employer pickup continues at 5 1/2%.

All alternative employee contributions will increase to 2% on January 1, 2003, and 3% on January 1, 2004, where they will remain for each year thereafter.

MILITARY SERVICE CREDIT

Another bill affecting SERS members that passed the General Assembly is HB0513 (Public Act 92-0054) effective July 12,

2001. An employee may now purchase up to two years of military service credit by paying the required employee and employer contributions plus interest, provided that:

- The employee was not dishonorably discharged.
- The active duty service credit purchased does not exceed five years, when added to any free military service credit already granted.

HB0513 changes the method of calculating interest when purchasing military service from the date the employee last became an SERS member or November 19, 1991, whichever is later.

This change applies to military credit purchased on or after the bill's effective date, and does not entitle a member to receive a refund of interest if this service purchase is already paid in full. Adjustments will be made for members currently buying military service on an installment basis.

This service purchase, like all SERS optional service purchases, can be made on a pre-tax or post-tax basis. Before any military credit can be granted or cost determined, SERS must receive a copy of form DD-214 or the appropriate separation /discharge papers verifying active duty.

CERTIFICATION OF ALTERNATIVE SERVICE

With the passage of HB0250 and HB0267, DHS employees working at institutions with a forensic or security unit, and Illinois Department of Transportation and Toll Highway maintenance workers will participate under the alternative formula. SERS will ask these agencies to certify past service earned in alternative formula positions.

For DHS service prior to July 1, 2001, an agency certification process will be conducted to verify the amount of time these employees actually worked in a security unit before July 1, 2001. For IDOT and Toll Highway employees, an agency certification process will be conducted to verify service prior to September 1, 2001 to verify the amount of time actually worked in a state highway maintenance position.

Once the certification has been completed and returned to SERS, the employee's account will be adjusted to reflect the new formula and a letter will be sent notifying the member of the change.

HAVE YOU MOVED?



If you plan on moving, be sure to notify your payroll office of any change to your name or mailing address. This small amount of information ensures the efficient distribution of your Benefit Statement and SERS-O-

GRAM. An incorrect address can keep this material from ever reaching you.

FEDERAL PENSIONS REFORMS

On June 7, 2001, President George W. Bush signed into law a \$50 billion package of pension reforms providing the first major update to government pension provisions in more than three decades.

This new law is intended to promote increased retirement savings and simplify the administrative rules governing retirement plans. This article will highlight the provisions affecting SERS members.

Deferred Compensation Limits

The current limit on Deferred Compensation (457) plans is \$8,500 per year. This amount will increase to \$11,000 in 2002 and will rise in \$1,000 annual increments until it reaches \$15,000 in 2006. The limit will then be indexed for inflation in \$500 increments.

Catch-Up Contributions

Participants of a 403 (tax-sheltered annuity) or 457 plans who are at least 50 years old by the end of the plan year will be allowed to make annual 'catch-up' contributions of \$1,000 in 2002. This limit will increase each year by \$1,000 until it reaches \$5,000 in 2006.

A member of Deferred Compensation can contribute twice the annual amount during the final three years before normal retirement age.

Coordination of Deferral Limits

Under the new law, maximum deferrals under a 457 plan will no longer have to be coordinated with deferrals made to a 401K or 403b plan. For example, in 2002 a member may defer up to \$11,000 under Deferred Compensation and \$11,000 under a 401k or 403b plan without a penalty.

Purchasing Service Credit

Starting January 1, 2002, members may transfer money while still employed from their 457 or 403b to purchase permissive service credit or repay a refund.

Rollovers

You may now rollover money from another qualified pension plan, or an Individual Retirement Account (IRA) containing money from a qualified total distribution to purchase optional service credit. But you cannot rollover money from a regular IRA, 403b or 457 until January 1, 2002.

Conclusion

The newly-enacted pension reforms will substantially simplify many of the current rules on government pension plans. For SERS members, the improved portability, increased limits, and flexibility in purchasing service credit should go a long way in helping members increase and preserve their retirement savings.

SERS HANDBOOK IS COMING

With all of the newly enacted state and federal pension laws, we have revised and updated the SERS handbook "Your Rights & Responsibilities." It will be mailed out to all active members in the near future with the latest legislative changes, as well as all other information regarding SERS benefits.

CHANGES TO DEFERRED COMPENSATION

Starting August 1, 2001, the State of Illinois' Deferred Compensation program will offer two new funds for participants to invest in:

Wells Fargo Large Company Growth Fund

This fund invests in a concentrated portfolio of 35-50 domestic stocks that seem to have superior growth potential. The core of their portfolio is companies whose earnings growth rate exceeds the average company in the S&P 500 Index by at least 50%. Short-term market timing is avoided, and the fund will typically be fully invested.

Provident Investment Counsel (PIC) Small Cap Growth Fund

PIC invests in a portfolio of 180-210 small, domestic stocks that they believe have the best prospects for future growth of earnings and revenue. PICs investment philosophy involves fundamental research that emphasizes strong financial characteristics with substantial and consistent increases in earnings.

YOUR SERS RETIREMENT BENEFIT

There are two basic types of retirement plans: Defined Benefit plans and Defined Contribution plans. Since SERS is a Defined Benefit plan, you and your employer's contributions to SERS are invested to provide you with a **defined retirement benefit** based on a specific formula using three factors:

- Total years of service
- Age at retirement
- Final average compensation.

These three factors determine a guaranteed monthly payment for your entire lifetime.

Using the sample Benefit Statement on the left, let's examine this employee's retirement benefit as calculated with the regular retirement formula. If John Doe works until November 30, 2010, he will be age 60 with 292.5 months of continuous service.

Using his current salary and the three factors for figuring a retirement benefit, John Doe would receive a monthly retirement benefit of approximately \$2,115 beginning December 1, 2010. Over his 24 years of service, Mr. Doe's contributions by the State to SERS will be roughly \$60,000. If he lives to be 80 years old, he will receive about \$550,000 in SERS retirement benefits, exceeding his contributions by \$490,000!

This is financially possible because we invest all contributions with the State Board of Investment (ISBI). The ISBI has generally earned a total rate of return well above the long-term actuarial assumption of 8.5%. These investments provide the reserves that are used to pay benefits to current and future retired members and their beneficiaries.

Defined Benefit plans are able to pay benefits to their employees without requiring them to have any investment expertise, or exposing them to the risk of market volatility. As a member of SERS you can rely on your future benefits as a solid foundation of your retirement income.

STATEMENT (continued from the cover)

already under the alternative formula. This includes the 2.5% and 3.0% flat percentages and the 80% maximum benefit.

However, the new percentages have not been used to calculate benefits for Department of Human Services security employees and educators, or highway maintenance workers.

These employees must have their alternative formula service certified to SERS (see story on page 2) before these benefits can be calculated. The new percentages will be used to determine benefits in next year's statement.

As in past years, your statement shows any service you may have with a reciprocal system, and any service you may be eligible to purchase or repay. Share the statement information with your family, since it's a vital part of your retirement planning.

SRS WEB SITE

Visit our web site at www.state.il.us/srs to access information on our three retirement systems: State Employees', Judges' & General Assembly. There are also links to the State of Illinois and Social Security Administration home pages.



From the State Employees' Retirement System's home page you can view our latest publications and annual reports, download SERS forms, and link to federal and state tax forms.

The SERS home page also contains a Bulletin Board with articles pertaining to SERS members, and the Field Services area lists all of the preretirement workshop dates as well as other sources of information.

In the future, our home page will allow you to access your account information and apply for benefits online.

KEEPING YOUR BENEFICIARIES CURRENT

Your named beneficiaries are located in the Death Benefits section of your Benefit Statement. It is your responsibility to keep your designations up-to-date.

Your SERS beneficiaries are separate from your Group Life Insurance and Deferred Compensation beneficiaries. The people listed on your Benefit Statement are designated to receive your SERS benefits only.

You may change your beneficiaries at any time by completing and filing a Nomination of Beneficiaries form (on page 8 of this publication) with SERS.

If you have questions about your nominated beneficiaries, call us at 217-785-6963.

DO YOU KNOW YOUR CREDIT SCORE?

For years, credit reporting companies have watched almost every financial move you make and compiled that information into reports that are graded like final exams.

Until recently, you weren't allowed to see your grade—known as a credit score. But after years of pressure, credit reporting companies have finally agreed to let consumers learn their scores.

This will enable you to find out one of the most important factors that lenders use to determine how much credit you can obtain and what it will cost you.

High vs. Low Credit Scores

Credit scores range from 300 to 900.

A high score can save you thousands of dollars in interest over the life of a loan—a low score can cost you a bundle. By learning your score, you'll be able to shop smarter for loans and find the best deals.

If you have a high score, you'll be in a position to bargain with banks and credit card companies for their lowest rates. If your score is low, you might want to put off any major purchases until you've taken the steps to improve your score.

Three Main Credit Bureaus

Credit reports are supplied by three national credit bureaus: Equifax, Experian, and TransUnion. These companies collect, maintain and sell credit information from banks, finance companies, and retailers.

Equifax has an on-line service called Score Power, to let consumers view their credit report, credit score, and an explanation of the score with suggestions to improve it for a fee of \$12.95. Go to www.equifax.com or call 1-800-311-4769. The other two credit bureaus plan to offer similar services by the end of the summer.

Although it may cost you a little money now to find out your credit score, not knowing if you have a bad credit score will cost you dearly in the long-run.



John Weidman (at right) receives his SERS Retirement Coordinator of the Year award for 2000 from SERS Field Representative Lee Brown, as District Engineer Stanley Grabski looks on. John is the personnel services officer for the Department of Transportation, District 7, in Effingham. He has worked at IDOT for 29 years and has been a Retirement Coordinator for 15 years. He has always encouraged District 7 employees to attend our SERS workshops. John also works one-to-one with employees who are preparing for retirement.

2002 PRERETIREMENT WORKSHOPS

To register for a workshop, contact your Retirement Coordinator, whose name and telephone number is printed on your Benefit Statement. Reservations CANNOT be made until Sept. 4, 2001.

INVESTING IN YOUR FUTURE For employees under age 45

Jan. 29	Chicago
Feb. 26	Rolling Meadows
Mar. 19	Springfield
Apr. 9	Chicago
Apr. 23	Tinley Park
May 7	Rockford
May 21	Urbana
Jun. 18	Springfield
Jul. 16	Carbondale
Aug. 6	Peoria
Aug. 20	Springfield
Aug. 27	Chicago
Sep. 10	Joliet
Sep. 24	Chicago
Oct. 1	Springfield
Oct. 22	Collinsville

EDUCATION FOR TOMORROW'S CHOICES

*For employees 5-15 years
from retirement*

Jan. 9 & 10	Chicago & Springfield
Jan. 16 & 17	Springfield
Jan. 23 & 24	Springfield
Jan. 30 & 31	Springfield & Glen Ellyn

Feb. 6 & 7	Springfield
Feb. 13 & 14	Springfield
Feb. 20 & 21	Carbondale
Feb. 27 & 28	Chicago
Mar. 6 & 7	Collinsville
Mar. 13 & 14	Springfield & Rolling Meadows
Mar. 27 & 28	Peoria
Apr. 3 & 4	Chicago & Springfield
Apr. 10 & 11	Urbana
Apr. 17 & 18	Joliet
May 1 & 2	Chicago
May 8 & 9	Springfield
May 15 & 16	DeKalb
May 29 & 30	Mt. Vernon
Jun. 5 & 6	Rockford
Jun. 12 & 13	Springfield
Jul. 10 & 11	Springfield
Jul. 24 & 25	Peoria
Jul. 31 & Aug. 1	Carbondale
Aug. 14 & 15	Collinsville
Aug. 21 & 22	Chicago
Sep. 11 & 12	Springfield
Sep. 18 & 19	Rolling Meadows
Oct 9 & 10	Tinley Park
Oct 16 & 17	Springfield
Oct. 30 & 31	Chicago
Nov. 13 & 14	Springfield
Nov. 20 & 21	Chicago & Peoria

Get paid to learn all about your SERS benefits. Take a day to come listen, learn, and evaluate where you are and where you want to be. You owe it to your future well-being!

COUNTDOWN TO RETIREMENT For employees 3 years from retirement.

Jan. 17	Chicago
Feb. 7	Chicago
Feb. 21	Springfield
Mar. 7	Carbondale & Joliet
Mar. 21	Springfield & Chicago
Mar. 28	Collinsville
Apr. 11	Chicago
Apr. 18	Springfield
Apr. 25	Tinley Park
May 9	Rockford
May 16	Carbondale
May 30	Chicago & Springfield
Jun. 20	Springfield
Jul. 18	Springfield
Jul. 25	Urbana
Aug. 8	Springfield
Aug. 22	Springfield
Aug. 29	Collinsville & Chicago
Sep. 5	Joliet
Sep. 19	Springfield
Sep. 26	Carbondale & Dixon
Oct. 3	Peoria
Oct. 17	Chicago
Oct. 24	Springfield
Nov. 14	Chicago & Mt. Vernon
Nov. 21	Springfield

State Employees' Retirement System of Illinois

2101 South Veterans Parkway, P. O. Box 19255, Springfield, Illinois 62794-9255 217-785-6963

MEMBER'S NOMINATION OF BENEFICIARY(IES) FOR DEATH BENEFITS

This form is to be used to nominate the person or persons to receive any death benefit payable by the State Employees' Retirement System (SERS) of Illinois. ***This is a legal document which, after preparation, may not be altered in any way by any person.*** A member wishing to change beneficiaries at a later date must complete a new Nomination Beneficiary form. The form on file with SERS with the most recent date-located next to the member's signature-will take precedence.

INSTRUCTIONS: Complete this form using ink or a typewriter. You may nominate as many people as you wish. If additional space is needed, use additional sheets. Survivor benefits will be paid in the numerical order you indicate. Two or more persons with the same order number will receive equal shares. When this beneficiary nomination is accepted by SERS, an acknowledgment will be mailed to you.

NOTE: Persons nominated as beneficiaries without order numbers will be considered after those persons nominated with order numbers. Two or more persons nominated without order numbers will receive equal shares.

EXAMPLE

Order Number	Name	Address	Relationship
1	John A. Doe	123 West Main, Chicago, IL 60601	Father
2	Jane B. Doe	123 West Main, Chicago, IL 60601	Mother
3	David C. Doe	123 West Main, Chicago, IL 60601	Brother
3	Nancy D. Doe	44 South 2nd, Springfield, IL 62708	Sister
3	Mary E. Doe	123 West Main, Chicago, IL 60601	Sister
4	Frank F. Smith	9876 E. 99th St., Peoria, IL 61605	None

If the member dies while in state service, the benefit will be paid as follows:

1. All the money will be paid to John A. Doe.
2. If John A. Doe is not living when the member dies, all the money will be paid to Jane B. Doe.
3. If John A. and Jane B., Doe are not living when the member dies, the money will be divided equally among David C., Nancy D., and Mary E. Doe. (If only two of these three persons are living when the member dies, each will receive one-half of the money. If only one of these three persons is living when the member dies, he/she will receive all of the money.)
4. If John A., Jane B., David C., Nancy D., and Mary E. Doe are not living when the member dies, all the money will be paid to Frank F. Smith.
5. If none of the nominated beneficiaries are living when the member dies, all of the money will be paid to the member's estate.

NOMINATED BENEFICIARIES

Order Number	Name	Address	Relationship
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

This form must be witnessed by two people who are not named as beneficiaries.

Member's Signature _____ **Date** _____

Member's Social Security Number _____ **Witness** _____

Member's Address _____ Address _____

_____ **Witness** _____

Address _____